



**A STUDY ON ISLAMIC HOME FINANCING:  
BAI BITHAMAN AJIL &  
MUSYARAKAH MUTANAQISAH  
CASE STUDY: TELEKOM MALAYSIA BERHAD**

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- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

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## TABLE OF CONTENTS

ACKNOWLEDGEMENT.....	i
ABSTRACT.....	ii
<b>CHAPTER 1</b>	
INTRODUCTION.....	1
BACKGROUND OF COMPANY.....	5
<b>CHAPTER 2</b>	
LITERATURE REVIEW.....	8
<b>CHAPTER 3</b>	
RESEARCH METHODOLOGY.....	13
<b>CHAPTER 4</b>	
FINDINGS: ISLAMIC HOME FINANCING	
BAI BITHAMAN AJIL.....	15
MUSYARAKAH MUTANAQISAH.....	19
<b>CHAPTER 5</b>	
SHARIAH ISSUE.....	22
<b>CHAPTER 6</b>	
GAP IDENTIFICATION.....	25
<b>CHAPTER 7</b>	
POLICY AND RECOMMENDATION.....	27
<b>CHAPTER 8</b>	
CONCLUSIONS.....	28
<b>REFERENCES</b>	

## **ABSTRACT**

This case study covers Telekom Malaysia's home financing under the contract of Bai Bithaman Ajil (BBA) and introduce one type of home financing named Musyarakah Mutanaqisah (MM) to their employees. The BBA is Murabahah contract, based on buy and sell principle where MM includes of Musyarakah (partnership) and an Ijarah (rental) contract where the equity of the financier follows a diminishing balance method. The purpose of this study is to investigate the differences of these two types of financing and also states the advantages of MM over BBA. Scholars are consensus on the Shariah permissibility of the MM contract but not consensus on the permissibility of the BBA contract. Middle Eastern scholars generally disapprove of the BBA. Other than that, this study is beneficial to academics and students by offering an insight into Islamic home financing in Malaysia which has limited previously been investigated. Moreover, bank management can offer more attractive packages of financing for Islamic financing market in order to fulfill customer's needs.

Keywords: Islamic Home Financing, Bai Bithaman Ajil, Musyarakah Mutanaqisah

Paper Type: Case Study

## **1.0 INTRODUCTION**

A home is a place of residence and comfort. It is usually a place in which an individual or a family can rest and be able to store personal property. Most modern-day households contain sanitary facilities and a means of preparing food. Therefore, every people wish to have their dream home. In order to have their owned house, one must apply for home financing. There are two types of home financing which is conventional home financing and Islamic home financing. This paper concentrate more on Islamic home financing compared to conventional one.

Islamic banking refers to a system of banking that complies with Islamic law also known as Shariah law. The underlying principles that govern Islamic banking are mutual risk and profit sharing between parties, the guarantee of fairness for all and that transactions are based on an underlying business activity or asset. These principles are supported by Islamic banking's core values whereby activities that cultivate entrepreneurship, trade and commerce and bring societal development or benefit is encouraged. Activities that involve interest (Riba), gambling (Maisir) and speculative trading (Gharar) are prohibited. Through the use of various Islamic finance concepts such as Ijarah (leasing), Mudharabah (profit sharing), Musyarakah (partnership), financial institutions have a great deal of flexibility, creativity and choice in the creation of Islamic finance products.

By emphasizing the need for transactions to be supported by real trade or business related activities, Islamic banking sets a higher standard for investments and promotes greater accountability and risk mitigation.

Islamic finance has grown extremely since it first emerged in the 1970's. Current global Islamic banking assets and assets under management have